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The *Welsh Economic Review* is produced twice yearly, by the Welsh Economy Research Unit (WERU) at Cardiff Business School. The aim of the *Review* is to provide an authoritative and objective analysis of the Welsh economy in a manner that promotes understanding and informs decision-making. The 'core' section of the *Review* is written by members of WERU, with feature articles contributed by academics or practitioners within or outside Wales. The *Review* is circulated widely within Wales, to both private and public sector organisations, including the education sector and the National Assembly.

Notes for Contributors

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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Economic Events Diary April – September 2002

April

The **Queen's Award for Enterprise**, the UK's top award for business performance, was received by five Welsh companies. In the "International Trade" category Global Sealing Technologies of Flint, Hoya Lens UK Ltd of Wrexham and Tellermate plc of Newport were honoured. An "Innovation" category award was shared by Welsh based companies Cintec International Ltd from Newport and Rockfield Software Ltd, Swansea.

May

Members of the Welsh Assembly Government's **Economic Research Advisory Panel** were announced by First Minister Rhodri Morgan. Consisting of a mix of academics and business leaders, the team's role is to recommend a research programme for the Assembly to inform economic policy decisions. The panel will be chaired by Professor Garel Rhys of Cardiff Business School.

Contractors began building a 38,800sq ft manufacturing unit in Newport which will form part of a total of over 215,000sq ft of manufacturing space to attract employers to the areas of Blaenau Gwent, Caerphilly, Ebbw Vale, Newport and Torfaen. The WDA funded programme, to aid employees made redundant by steel firm Corus, aims to create 600 jobs.

WDA executive Graham Moore was appointed chief executive of the **Newport Urban Regeneration Company**. This initiative, the first of its kind in Wales, was unveiled in January 2002 as part of the £76m "Team Wales" regeneration package. The Newport Urban Regeneration Company aims to develop opportunities at key sites within the city over the next three years utilising £20m of funding (£10m from the Assembly and £10m from the WDA).

Figures released by the **Welsh Assembly Government** showed a **record year for economic development** spending. During 2001-2002 £444.4m of public funding was invested into the Welsh economy. The Assembly reported that around 270 businesses benefited from grants totalling £143.3m from the Assembly's Regional Selective Assistance scheme, helping to create or safeguard just over 13,000 jobs throughout Wales. Furthermore, these grants were reported to have enabled associated investment of £642m to be brought into the economy.

June

Plans for a **new £250m village development** outside **Merthyr** were announced incorporating 1,700 houses, a shopping village, cinema multiplex, two hotels, a country park and a business estate. However, there was local opposition to the 550-acre development, largely focussing on environmental concerns.

July

Stena Line Ports announced a £12.3m investment in **Holyhead** to build a new berth and double deck terminal. Utilising a reported £3.5m of European Objective 1 funding, and creating over 50 jobs, the facility will also be available for use by competitors. Stena Line also revealed plans for a giant new ferry (at 44,000 tonnes it would be the biggest on this route) providing services from Holyhead to Dublin next summer.

Objective 1 monies will also help finance the **Wales Trade International Initiative** unveiled in July by the Welsh Assembly Government. The £8.6m scheme will use £4m of European funding along with capital from the private sector and the "Pathway to Prosperity" fund to help small and medium sized enterprises develop new trading opportunities. International trade assistance to these businesses will be reinforced through a number of overseas events.

The annual report of the **WDA** was published, claiming that 25,320 jobs had been created or safeguarded by the organisation in the year to March 2002, this performance exceeding targets. The annual report stated that 62% of the jobs created or safeguarded were in the Objective 1 area.

Two further reports heralded less welcome news for Wales. The **CBI Quarterly Industrial Trends Survey** painted a slightly pessimistic picture for recovery in manufacturing as domestic and export orders remained flat whilst average prices fell. The survey found that employers in the sector had continued to shed jobs at a faster than expected rate, although this was expected to ease in the following quarter. Meanwhile, research by the **Chartered Institute of Personnel and Development** found that Wales, along with the North East of England, had the highest absence rates for workers in the British economy. Overall, the study claimed, sickness absence cost firms £522 per worker per annum.

Low cost flight destinations from **Cardiff International Airport** were announced by **BMIBaby**. New business opportunities and increased tourist visitors were expected to be amongst the benefits of daily services to Glasgow and Edinburgh, along with services to mainland European locations such as Geneva and Milan. The airline stated they expect to carry one million passengers a year and potentially create around 100 jobs.

The UK's largest **offshore wind farm** was given the green light by the Minister for Energy, Brian Wilson. Construction of the project off the North Wales coast at North Hoyle is expected to be completed in the autumn of 2003.

Chancellor Gordon Brown unveiled the **Government Spending Review**, which sets out how the Treasury's funds will be allocated across Whitehall departments over the next three years. In addition to large real-term rises for transport, housing, education and health, it was announced that the Welsh Assembly Government's budget would be increased from £9.4bn this year to £11.8bn by 2005-06, a rise of 5.1%. How the political parties believe this money should be spent is likely to be a major debating point in the run up to the Welsh National Assembly elections in May 2003.

August

According to the **Global Entrepreneurship Monitor (GEM) 2001** the proportion of people in Wales starting up a new business venture was well below levels in a majority of comparison countries. Ranking 26th out of the 31 countries assessed, Wales had just 6% of adults engaged in entrepreneurship activity in 2000. The GEM project has been run by entrepreneurship scholars around the world since 1997. The Welsh survey is being conducted by the University of Wales Bangor, and the University of Glamorgan (www.gemconsortium.org).

Airbus, which employs 3,000 people at its aerospace factory in Broughton, Flintshire, celebrated a new contract with Middle Eastern Airlines to build six A321 planes, as well as confirming an order with German carrier Lufthansa. These were seen as signs of increasing confidence in the air transport sector.

September

A £14.7 million **centre of excellence** for the hi-tech **optic-electronics** sector in Wales is now set to go ahead. Planned to open in St Asaph, Denbighshire, in autumn 2003 and funded by the WDA, the private sector and Objective 1 monies, the facility will be the first of its kind in the UK.

A £300 million 10-year contract to modernise Britain's driver and vehicle licensing systems was awarded by the **DVLA** to PriceWaterhouseCoopers and Fujitsu Services. As well as safeguarding 4,500 existing jobs in Swansea, expectations are that a support centre will be set up by the contract winners in the city, creating additional employment.

Comings and Goings:

Companies Investment in Wales

It has been a relatively good year so far for the **retail sector** in Wales. As part of UK wide expansions supermarket chain **WM Morrison** will open outlets in Port Talbot and Ebbw Vale during 2003, and fabric retailer **Dunelm** unveiled plans for a new Swansea superstore creating 120 jobs on the former site of DIY retailer Glynn Webb. Newport welcomed the announcement that the first **Woolworths "Big W"** store in Wales was to open there in October, whilst Rhyl was designated as a future **Matalan** store location.

Following the decision of its owners, Somerfield, to review its UK depot network, **Kwik Save's** Newport distribution depot was closed with the loss of 200 jobs. Meanwhile Wal-Mart owned supermarket chain **Asda**, released details of an expansion of their distribution operation, with expectations of over 100 new jobs in Chepstow.

Electronics retailer **Dixons** also had a boost for Wales with hopes of creating around 120 new jobs in the Principality and west of England during 2003, and Cardiff based discount retailer, **Peacocks**, acquired womenswear clothing chain **Bon Marche** in a deal reportedly worth £51.5 million.

Overall it has been a mixed time for companies in Cardiff. Receivers have been called in at **Allied Steel & Wire** (ASW), the UK's second largest steel company. The company laid off most of its 650 production staff at the end of July, leaving around 200 to carry out routine maintenance. A potential buyer was in discussions with the company during late September. A downscaling of financial services company **AMP** was announced with around 300 jobs being cut, and **Panasonic** reported that it would reduce staff by 70 before the start of the next financial year, although this was off-set by news of 200 part-time vacancies to meet seasonal Christmas demand.

The **Ken Thorne Group**, a showroom chain for new and used cars, closed suddenly in September with the loss of 230 jobs. A downturn in sales over the previous quarter was blamed for cash flow problems, resulting in the redundancies in Cardiff and Neath.

More optimistically, US directory assistance firm **Infonxx** unveiled plans to recruit around 700 staff to work at a new state-of-the-art call centre in Cardiff. Recruitment is to be undertaken by UK subsidiary **The Number**. The company is

to take advantage of the directory enquiries service being opened up for competition from December 2002.

Besides the ASW announcement, other parts of the Welsh manufacturing sector also suffered. **Dewhirst** the clothing manufacturer will close its remaining factories in the Principality at Cardigan (325 jobs) and Fishguard (168 jobs). The Swansea site closed in August with the loss of over 400 jobs. Lower labour costs abroad were adjudged a major factor in the company's decision.

BE Aerospace-owned aircraft cabin interior manufacturer **CF Taylor** announced the forthcoming closure of its plant in Dafen, near Llanelli, with the loss of 270 jobs. Also in Carmarthenshire, **ISE International Furniture** folded with the loss of 70 jobs. Retail units in Cardiff and Bridgend had complemented its manufacturing and shop unit at Bynea.

However, there was some cause for celebration in Whitland, Carmarthenshire as **Magstim** (designers and manufacturers of hi-tech electronic medical equipment) invested £1 million in new headquarters.

Everwhite announced plans to invest £2.1million in specialist production equipment at its Aberdare factory where it manufactures plastic building products. Around 40 jobs will be created.

In June, as a direct consequence of a blaze at the **Dawn Pac** meat-processing factory in Cross Hands, Carmarthenshire, 183 workers were made redundant. This accounted for about half the factory's total workforce.

Some good news for the food production sector came when Newport based **Avana Bakery** secured a multi-million pound contract in July with Marks & Spencer. The company stated it would be recruiting 177 new employees, bringing its total workforce to over 1,000.

There were boosts to the call centre jobs market besides the Infonxx announcement. Cwmbran based **Hyder Business Services**, who specialise in outsourced business assistance and call centre work, have signed a contract to carry out Virgin Energy's electricity and gas services. Around 150 extra employees are to be recruited. Further to this, **NTL** the cable TV company, took on over 200 workers at Pembroke Dock who had lost their jobs due to the demise of ITV Digital. These posts are initially short term and are in addition to 70 new posts in Swansea and 30 in Cardiff announced by NTL in April, due to rising demand for broadband internet services.

Direct-mail bookseller **The Book People** opened a new 130,000-sqft centre in Bangor at Britannia Park, Parc Menai, creating 180 jobs. The facility is home to a distribution and call centre.

The **Ministry of Defence** disclosed that as part of its bid to save £300m over the next 25 years **Llanbedr** military range in Meirionnydd, would shut with the loss of 164 jobs, and the West Wales **Aberporth** range would be scaled down with a further 147 job losses.

Rising insurance costs are threatening the remaining mining industry in Wales. Some 500 jobs at the **Betws and Tower collieries** were reportedly at risk due to this development.

Postal operator **Consignia** announced in June that it would be cutting 17,000 UK frontline staff over three years in a bid to counteract losses of £1.1bn suffered in 2001-2002. This amounts to around 15 percent of its total workforce. It was feared that dozens of Welsh post offices could be closed leading to job losses in the hundreds in Wales.